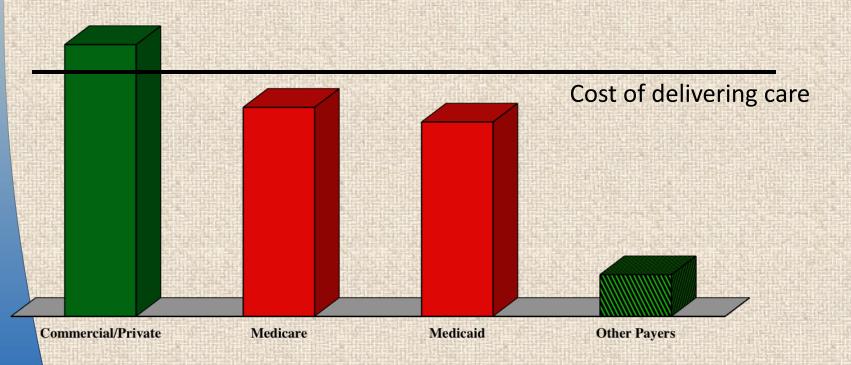
Alamance Regional Medical Center . Albemarle Health . Alleghany Memorial Hospital . Angel Medical Center . Annie Penn Hospital . Anson Community Hospital • Ashe Memorial Hospital, Inc. • Betsy Johnson Regional Hospital • Blowing Rock Hospital • Blue Ridge Regional Hospital • Broughton Hospital • Brunswick Community Hospital • Caldwell Memorial Hospital, Inc. • Cape Fear Valley - Bladen County Hospital • Cape Fear Valley Health System • CarePartners Rehabilitation Hospital • CarolinaEast Health System • Carolinas Medical Center • Carolinas Medical Ce Carolinas Medical Center - Northeast • Carolinas Medical Center - Pineville • Carolinas Medical Center - Union • Carolinas Medical Center - University • Carolinas Rehabilitation • Carteret County General Hospital • CaroMont Health, Inc. • Catawba Valley Medical Center • Central Carolina Hospital • Central Regional Hospital . Charles A Cannon, Jr. Memorial Hospital . Cherokee Indian Hospital . Cherokee Indi Center • Coastal Plain Hospital • Columbus Regional Healthcare System • Cone Health Behavioral Health • Davis Regional Medical Center • Department of Veterans Affairs Medical Center Asheville • Department of Veterans Affairs Medical Center Durham • Dorothea Dix Hospital • Duke Raleigh Hospital • Duke University Hospital • Durham Regional Hospital • FirstHealth Montgomery Memorial Hospital • FirstHealth Moore Regional Hospital • FirstHealth Richmond Memorial Hospital . Forsyth Medical Center . Franklin Regional Medical Center . Frye Regional Medical Center . Grace Hospital . **Granville Health System • Halifax Regional Medical Center** ers Hospital • Highsmith-Rainey Specialty Hospital . Holly Hill Hospital . Hugh Chatham Memorial ial Hospital • Johnston Medical Center -Smithfield . Kindred Hospital . Kings Mountain Ho rial Hospital, Inc. • Lexington Memorial enter • Martin General Hospital • The Hospital, Inc. • LifeCare Hospitals of North Car McDowell Hospital . Medical Park Hosp lealth System • Morehead Memorial Hospital • Murphy Medical Center, In arolina Specialty Hospital • Northern Hospital of Surry County . Onslow Mem e Health • Pender Memorial Hospital • Person Memorial Hospital • Presbyterian Healthcare • Presbyterian Hospital Matthews • Presbyterian Orthopaedic Hospital • Randolph Hospital • Rex Healthcare • Rowan Regional Medical Center • Center • Sampson Regional Medical Center • Sandhills Regional Medical Center • Scotland Health Care System • Select Specialty Hospi Select Specialty Hospital-Winston-Salem • Southeastern Regional Medical Center • St. Luke's Hospital • Stanly Regional Medical Center • Stokesds Memorial Hospital, Inc. • The Moses H. Cone Memorial Hospital • Thomasville Medical Center • Transylvania Regional Hospital • UNC Hospital • Valdese Hospital • Vidant Beaufort Hospit Vidant Chowan Hospital
Vidant Edgecombe Hospital
Wake Forest Baptist Medical Center
Vidant Medical Center
Vidant Medical Center Pungo Hospital • Vidant Roanoke-Chowan Hospital • Wake Forest Baptist Health - Davie Hospital • Wake Forest Baptist Health - Lexington Medical Center • WakeMed • WakeMed Cary Hospital • WakeMed Fuguay-Varina • WakeMed Zebulon/Wendell SNF and Outpatient Diagnostic Center • Washington County Hospital • Watauga Medical Center • Wayne Memorial Hospital • Wesley Long Community Hospital • Wilkes Regional Medical Center • Wilson Medical Center Women's Hospital of Greensborp • Yadkin Valley Community Hospital

Hospital Perspective

Hugh Tilson, Senior Vice President

Government Payments Below Costs

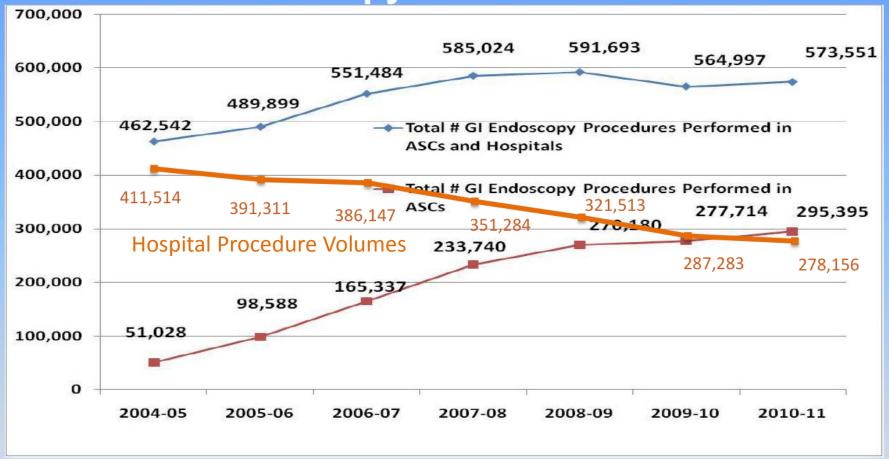
3 of 4 hospital patients are paid for by government or have no health insurance. Government sets prices below the cost of caring.



Hospitals depend on commercially insured patients to offset losses caring for government and uninsured patients.

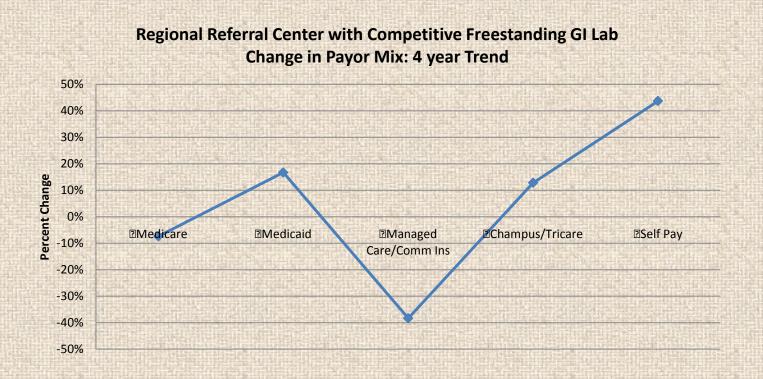


GI Endoscopy Procedure Volumes



Total utilization for GI endoscopy procedures increased by 28 percent over the four years following the change in the CON law. Some of this increase is "normal growth" due to the aging population. Utilization declined in the most recent two years, due to the downturn in the economy.

One Hospital's Experience



Commercially insured patients declined by almost 40%, Medicaid increased by almost 20% and self-pay increased by over 40%



Hospitals Treat More Indigent

Freestanding endoscopy centers treat almost twice as many insured patients as hospitals; Government, indigent treated more by hospitals

| Hospital Endoscopy - Cases | | | |
|----------------------------|--------------------------|-------------------------|-------|
| Self Pay | Commercial | Govt. | Other |
| 3.6% | 40.3% GI Endoscopy Ce | 51.3% enters - Cases | 4.8% |
| Self Pay | Commercial | Govt. | Other |
| <1% | 59.3% | 34% | 5.9% |

Source: Truven Health Data (FY 2011 data)



Implications

Increased utilization:

- -Desired with preventive cancer screenings
- -Not desired with other surgeries

Transfer agreement: Hospital capacity still required

- -ED
- -Higher acuity
- -Payment categories
- -Excess capacity exists especially for outpatient ORs

Bottom line:

- -Movement of services from hospital to other setting
- Hospitals must maintain capacity cost/case increases
- Increased utilization + higher residual hospital costs = higher total spending

Cuts Coming in Next 10 Years

| Programs / Actions Causing Cuts | Statewide 10-Year Impact |
|---|--------------------------|
| Hospital Acquired Conditions | (\$ 72,265,014) |
| Value-Based Purchasing | \$ 2,985,917* |
| Readmissions Reduction Program | (\$ 208,627,000) |
| ACA / CMS Medicare Payment Reductions | (\$ 4,593,501,000) |
| Deficit Reduction Sequestration Requirement (2% Medicare Reduction Resulting from Lack of Super Committee Action) | (\$ 1,259,248,500) |
| ACA Medicare DSH Reductions | (\$ 847,659,000) |
| Effect of Massachusetts' Manipulation of Medicare "rural floor" wage index calculation (stemming from national budget neutrality) | (\$ 218,000,000) |
| Bad Debt Reimbursement Restrictions | (\$ 125,452,600) |
| Total Known Cuts (June 19, 2012) | (\$7,196,314,597) |



^{*}Single year impact only. Ten-year projection not possible. Sources: American Hospital Association, DataGen